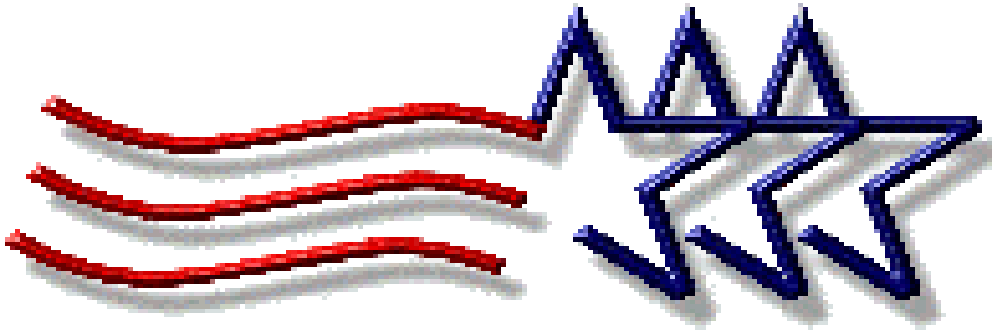
TRICARE
Management
Activity

Special Programs and Demonstrations

Overview of the TRICARE Designated Provider Program

TRICARE Management Activity



Uniformed Services Family Health Plan (USFHP)

Contract Periods

TRICARE Management Activity

- Pacific Medical Clinics, 04-01-98 to 03-31-03
  Seattle, WA (Region 11)

- Sisters of Charity of the 04-01-98 to 03-31-03
  Incarnate Word
  Houston, TX (Region 6)

- Fairview Health System 05-01-98 to 04-30-03
  Cleveland, OH (Region 5)

Contract Periods

TRICARE Management Activity

- Johns Hopkins Medical Service Corporation
  Baltimore, MD (Region 1) 06-01-98 to 05-31-03
- Martin's Point Health Care
  Portland, ME (Region 1) 06-01-98 to 05-31-03
- Brighton Marine Health Center
  Boston, MA (Region 1) 06-01-98 to 05-31-03
- Sisters of Charity Health System
  Staten Island, NY (Region 1) 08-01-98 to 07-31-03

1997 Defense Authorization Act

TRICARE Management Activity

- Directed DoD to enter into a sole source contract with each Designated Provider
- Repealed the Uniformed Services Treatment Facilities (USTFs) “deemed” status
- Directed the Designated Providers to provide the TRICARE Prime benefit

Components of the Designated Provider TRICARE Program

TRICARE Management Activity

- CONTRACT TERMS
  - Five 12 month options
  - Sole Source Commercial item contracts
- LOCK-OUT PROVISIONS
  - Locked out of duplicate care in MTF, TRICARE, and Medicare
- PORTABILITY
  - Enrollees (under age 65) are fully portable between designated provider and managed care support contracts

Components of the Designated Provider TRICARE Program

TRICARE Management Activity

- CAPITATION
  - Full risk capitation payment - limited by amount would have cost under MTF, TRICARE, or Medicare
  - Requires a health status adjustment
- RISK
  - The MCS Contractors are at risk for all beneficiaries including those in TRICARE Standard, Extra, and Prime. The Designated Providers are only responsible for Prime enrollees.

Components of the Designated Provider TRICARE Program

TRICARE Management Activity

- ENROLLMENT
  - Allows active duty family members and retirees and their family members (including Medicare eligible beneficiaries) to enroll
  - Contract currently provides for continuous open enrollment of Active Duty Family Members
  - Contract allows retirees & retiree family members to enroll during an annual open enrollment period

Enrollment and Cost

TRICARE Management Activity

FY 1998		FY 1998	
Total Enrollment	113,216	Total Cost	378.6
DoD	104,303	DoD	355.4
Non-DoD	8,913	Non-DoD	23.2

FY 1999		FY 1999	
Total Enrollment	99,703	Total Cost	357.5
DoD	91,666	DoD	335.5
Non-DoD	8,037	Non-DoD	22.0

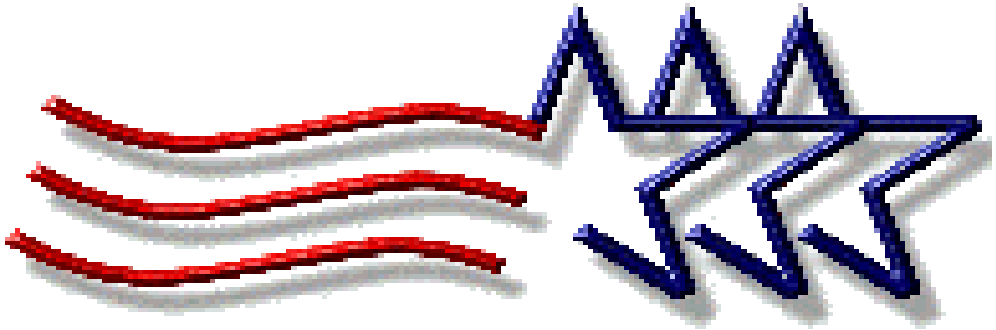
New Provisions

TRICARE Management Activity

- The FY 2000 Authorization Act provides for a demonstration of continuous open enrollment for retiree & retiree family members at DoD selected sites.
- The FY 2000 Authorization Act also allows the Designated Providers to furnish health care to members of the Armed Forces under the TRICARE Prime Remote Program.

Overview of the Chiropractic Health Care Demonstration Program

TRICARE Management Activity



1995 National Defense Authorization Act

TRICARE Management Activity

- Established a “demonstration program to evaluate the feasibility and advisability of providing chiropractic care through the medical care facilities of the Armed Forces.”

Chiropractic Health Care Demonstration Program

TRICARE Management Activity

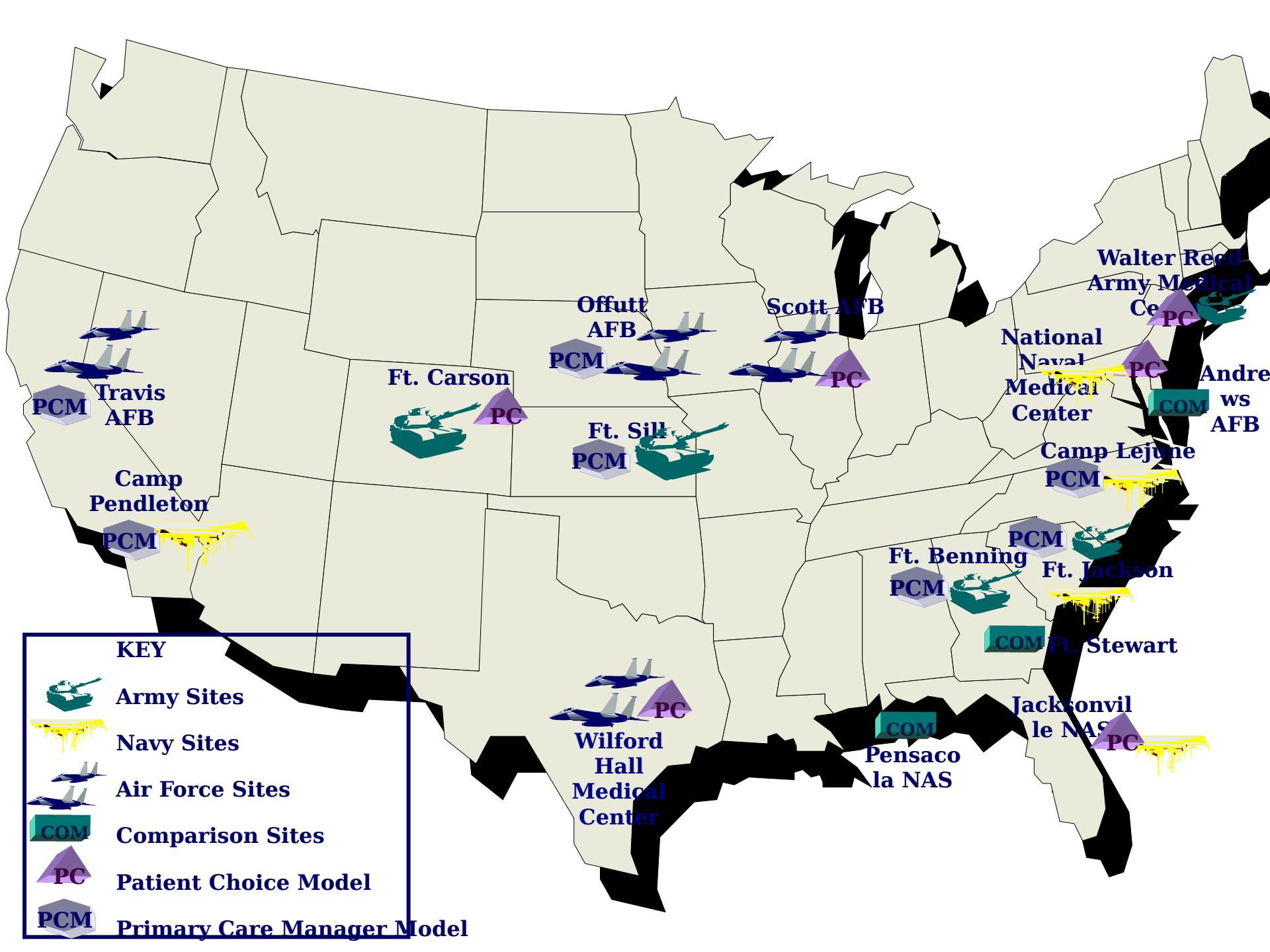
- 1998 National Defense Authorization Act
  - Extended demonstration until 30 Sep 99

- The demonstration is at 16 MTF sites
  - 13 MTFs provide chiropractic care
    (5 Army, 4 Navy, 4 Air Force)
  - 3 MTFs are control sites

Chiropractic Health Care Demonstration Program

TRICARE Management Activity

- 1999 National Defense Authorization Act provided that Chiropractic services will continue at the 13 MTF sites until 30 Sep 00


Walter Reed Army Medical Ce
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Scott AFB
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Andrews AFB
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Travis AFB
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Ft. Sill
PCM
Camp Lejune
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Camp Pendleton
PCM
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Ft. Benning
PCM
Ft. Jackson
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Ft. Stewart
PC
Wilford Hall Medical Center
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Pensacola NAS
Jacksonville NAS
PC
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Army Sites
Navy Sites
Air Force Sites
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Comparison Sites
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Patient Choice Model
PCM
Primary Care Manager Model

TRICARE
Management
Activity

OVER 65 DEMONSTRATION PROGRAMS

Focus on Over-65 Beneficiaries

TRICARE Management Activity

- Increasing internal and external pressures to define and resource new benefit for over-65s, to supplement their entitlement to Medicare.

Shrinking Facilities, Growing 65 and Over Population

TRICARE Management Activity

	1986 - 1987	1998
Hospitals	168	91
Total Beneficiary Population (Millions)	9.3	8.4
65 and Over Population (Millions)	.7	1.3

65 and Over Health Care Strategy

TRICARE Management Activity

- Eligible for Space available care in MTFs, not eligible for TRICARE Prime/Extra/Standard
- Pharmacy benefit mandated for those who relied on closed MTFs
- Testing several options simultaneously to enhance benefit
  - No one program or solution is going to be the right answer for all our beneficiaries - because of varying location, needs

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OVERVIEW OF TRICARE SENIOR DEMONSTRATION

TRICARE SENIOR Demonstration

TRICARE Management Activity

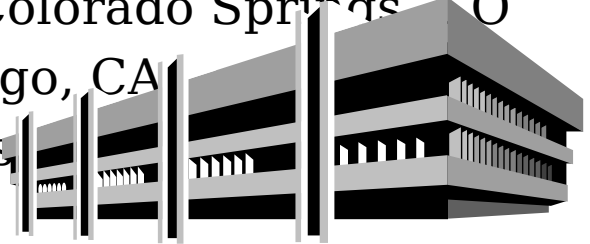
- The Balanced Budget Act of 1997 authorizes the TRICARE Senior demonstration.
- It consists of two types of health care delivery systems:
  - TRICARE Senior Prime
  - Medicare Partners
- Demonstration authority is for 3 years and wi end December 31, 2000.

TRICARE SENIOR Demonstration

TRICARE Management Activity

- Medicare eligible DoD beneficiaries must be age 65 and over
- Must be enrolled in Medicare Part A and Part B
- The Secretaries of DoD and HHS have selected six demonstration sites:
  - Keesler AFB, Biloxi, MS
  - Wilford Hall Air Force Medical Center and Brooke Army Medical Center,

    San Antonio, TX, Sheppard AFB, Wichita Falls, TX, and Fort Sill, Lawton, OK
  - Fort Carson and the Air Force Academy, Colorado Springs, CO
  - Naval Medical Center San Diego, San Diego, CA
  - Madigan Army Medical Center, Fort Lewis
  - Dover AFB, Dover DE



TRICARE SENIOR Demonstration

TRICARE Management Activity

- Allows DoD to be reimbursed as a Medicare+Choice (i.e. Medicare HMO) plan
- Cap on Medicare reimbursement of $50/60/65 million per year
- Capitated reimbursement @ 95% of Medicare+Choice (i.e. Medicare HMOs), not including medical education or capital costs
- Medicare reimbursement contingent on DoD maintaining its level of effort at all demonstration sites (FY LOE is site specific)
- Not increase costs to Medicare Trust Fund
- Evaluation by the General Accounting Office

TRICARE SENIOR Prime Enrollment

TRICARE Management Activity

	Capacity	Wait List	Total Elig	Enrolled*
Fort Lewis, WA	3,300	1,500	21,709	3,987
San Antonio, TX (Brooke AMC/Wilford Hall MC)	5,000/5,000	2,500/2,500	34,148	11,264
San Diego, CA	4,000	2,000	35,619	3,805
Fort Sill/Sheppard AFB	1,400/1,300	700/650	7,067	2,116
Keesler AFB, MS	3,100	900	7,361	3,035
Colorado Springs, CO (Fort Carson/AF Academy)	2,000/1,200	1,000/600	13,689	3,430
Dover, DE	1,500	750	3,905	835
TOTAL	27,800	123,498	28,472	

* Total Enrolled as of 10/25/99

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OVERVIEW OF THE FEHBP DEMONSTRATION

FEHBP Demonstration

TRICARE Management Activity

- Required by Section 721, Authorization Act for FY 99

- DoD and the Office of Personnel Management shall carry out a demonstration project, under which DoD is to make contributions to FEHBP plans on behalf of MHS beneficiaries who enroll with FEHBP.

Statutory Requirements

TRICARE Management Activity

- **TIME FRAME** - Coverage would start January 2000, end December 2002.
- **PROGRAM** - FEHBP coverage for up to 66,000 MHS beneficiaries who enroll in an FEHBP plan, with DoD contribution to premium.
- **SITES** - 6 to 10, including a subvention site, a catchment area, and a noncatchment site; no more than one site per region.
- **ELIGIBILITY** - Medicare-eligible retirees and dependents; unremarried former spouses of military members; dependents of deceased members or former members. For the last two groups, Medicare eligibility is not required.

Statutory Requirements

TRICARE Management Activity

- **ENROLLMENT** - Beneficiaries must enroll in an FEHBP plan and pay any applicable premiums to receive benefits under this program.
- **LOCKOUT** - Enrollees may not use MTFs or TRICARE for any services while enrolled.
- **AMOUNT OF PREMIUMS** - Premiums will be based on a separate risk pool for MHS beneficiaries. Government contribution to be same as under FEHBP.
- **EVALUATION** - Two reports to Congress and GAO review required.

FEHBP Sites

TRICARE Management Activity

- DoD and OPM have selected eight demonstration sites:
  - Dover Air Force Base, DE
  - Commonwealth of Puerto Rico
  - Fort Knox, KY
  - Greensboro/Winston-Salem/High Point, NC
  - Dallas, TX
  - Humboldt County, CA Area
  - Naval hospital, Camp Pendleton, CA
  - New Orleans, LA

TRICARE
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OVERVIEW OF THE TRICARE SENIOR SUPPLEMENT DEMONSTRATION

TRICARE Senior Supplement Demonstration

TRICARE Management Activity

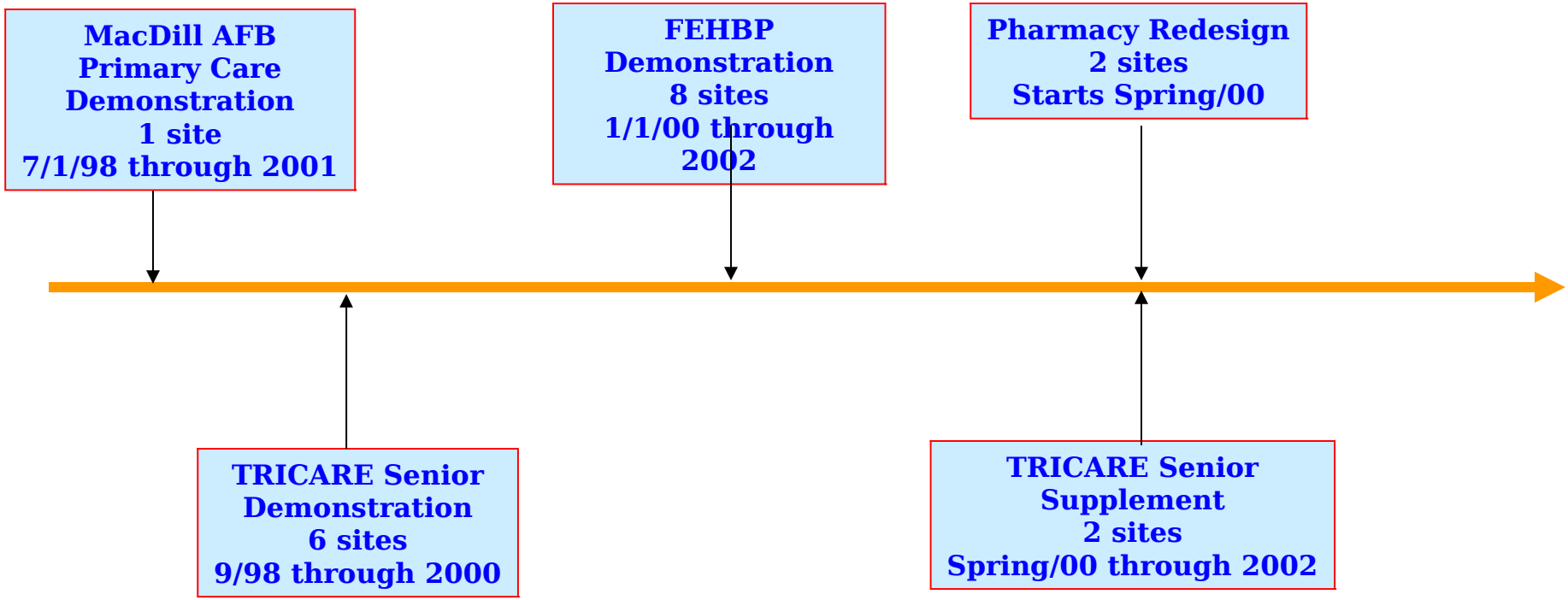
- Required by Section 722, Authorization Act for FY 99

- Demonstration will assess the feasibility and advisability of providing medical coverage under the TRICARE Program as a supplement to Medicare

- Demonstration Sites (2 noncatchment areas)
  - Santa Clara, CA
  - Cherokee, TX

Timeline for Over 65 Initiatives

TRICARE Management Activity



Costs for 65 and Over Health Care Programs

TRICARE Management Activity

- Pharmacy Program -- $400 to 600 Million (DoD)
- FEHBP -- $1.6 Billion for DoD (CNA)
  -- $300 Million for Medicare (CBO)
- TRICARE Supplement -- $650 Million (CNA)
- Medicare Subvention -- Not yet known